

AIR NEW ZEALAND

» Airline Innovation & Market Update

Rob McDonald, CFO
Deutsche Bank Transport Conference
25 November 2008

AIR NEW ZEALAND 



» INTRODUCTION

- Airline Innovation
 - Domestic Airport Experience
 - Grabaseat – online strategy
 - Airpoints Programme
 - Altitude Aerospace Interiors
 - Environmental Leadership
- Market Update



» THE INNOVATIVE ADVANTAGE

- Innovation plays important part in our strategy
 - Makes the business fast and flexible
 - Differentiates our products and service
 - Enables growth in non-airline revenue sources
 - Reduces costs
 - Key to our environmental leadership position



» DOMESTIC AIRPORT EXPERIENCE

- Revolutionising the domestic travel experience at 26 terminals
- 112 new kiosks and 84 gate scanners being introduced
- Check in process cut from 10-15 to 1-3 minutes
 - new kiosks enable customers to print their own bag tags
 - conveyor belt bag drop zone to eliminate queues
 - new gate scanners for straight to gate check in
 - RFID tags used as a boarding passes for high value customers
 - Barcode as boarding pass sent to customer mobile phones

» GRABASEAT – ONLINE STRATEGY

grabaseat

- Introduced as a innovative sales channel for excess capacity
- Developed as a second brand with its own edgy character
- Cost effective way to run a low cost parallel brand
- Winner of 2008 Innovation Award at the Tourism Industry Awards

 AIRPOINTS

- The 'any seat' concept introduced by Air NZ was a world first in November 2004
- Dynamic redemption model links frequent flyer currency into the commercial booking system
- 1 Dollar = 1 Airpoints Dollar provides transparency
- Concepts explored and replicated by airlines world-wide
- Continue to innovate now focusing on commercial leveraging of the programme



» ALTITUDE AEROSPACE INTERIORS

- Standalone company with 50 staff
- Only significant design shop in Asia Pacific
- To capture opportunities in the global aircraft interior design business:
 - Reconfiguring and integrating interiors on commercial jet aircraft
 - Designing customised interior product for commercial aircraft
 - Designing product & interiors for Boeing business & private jets
- Leading-edge computer technology enables the design of some of the most innovative aircraft interiors



» ENVIRONMENTAL LEADERSHIP

- Biofuel
 - World first test flight in Auckland next month
- Fuel efficiency
 - The ‘perfect’ flight
 - Zonal dryers
 - Winglets fitted on Boeing 767-300ER fleet



» MARKET UPDATE

- Demand uncertain but clearly weaker across all markets
- Tasman especially difficult
- Rapidly adjusting schedule e.g. International schedule forecast to be down 13% in Q4
- Lower jet fuel prices benefit will be more evident in second half
- Well hedged for FX through to the middle of next financial year



» MARKET UPDATE (cont)

- Strong financial position
 - Modest capital expenditure profile over next 2 years
 - Strong liquidity \$1.3b cash (after excluding restricted cash of \$200m)
 - Benign debt maturity profile
 - No financial covenants
 - Two of first three Boeing 777-300ER aircraft now subject to Sale and Leaseback with DAE
- Sufficient financial flexibility to consider opportunities if they arise



AIR NEW ZEALAND 